

# Higher Education

## Total Funding

The Budget continues to recognize the significant contributions and benefits to society from broad access to higher education at the University of California (UC), the California State University (CSU), and California's Community Colleges (CCC). The 2006-07 Budget marks the second year of funding for UC and CSU under the terms of the Higher Education Compact with the Administration.

The Budget provides for total Higher Education funding of \$19.1 billion from all revenue sources. UC funding totals \$5.1 billion, including \$3.1 billion General Fund. (See Figure HED-01). The amount budgeted from the General Fund reflects an 8.4 percent increase from the 2005-06 budget. CSU funding totals approximately \$4.0 billion, including \$2.8 billion General Fund. The amount budgeted from General Fund for CSU is 7.4 percent above the 2005-06 budget. Community College funding totals over \$8.7 billion, including approximately \$6.2 billion from General Fund and Proposition 98 sources, of which more than \$4.3 billion is from the General Fund alone. The amount budgeted from General Fund and Proposition 98 for CCC is 12.8 percent above the 2005 Budget Act.

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## Higher Education Compact Funding Levels

In accordance with the Higher Education Compact, the Budget provides stable funding to UC and CSU for enrollment growth and basic support. In addition, the budget buys out

**Figure HED-01**  
**Higher Education Expenditures**  
**General Fund, Lottery Funds, State School Fund,**  
**Local Revenues and Student Fees**  
(Dollars in Millions)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Change from 2005-06	
							Dollar	Percent
University of California <sup>1/</sup>								
Total Funds	\$4,482.6	\$4,418.5	\$4,516.1	\$4,514.7	\$4,827.2	\$5,107.5	\$280.3	5.8%
General Fund	3,322.7	3,150.0	2,868.1	2,698.7	2,838.7	3,076.7	\$238.0	8.4%
California State University <sup>1/</sup>								
Total Funds	3,433.2	3,525.9	3,651.4	3,586.3	3,848.2	4,042.4	\$194.2	5.0%
General Fund	2,680.7	2,697.1	2,625.7	2,475.8	2,597.5	2,788.9	\$191.4	7.4%
Community Colleges								
Total Funds	6,457.1	6,613.5	6,697.8	7,300.8	8,319.6	8,736.7	\$417.1	5.0%
General Fund & P98 <sup>3/</sup>	4,701.1	4,894.9	4,505.3	5,031.9	5,752.3	6,192.0	\$439.7	7.6%
Student Aid Commission (GF)								
Total Funds	558.8	594.0	689.3	776.5	824.8	882.3	\$57.5	7.0%
General Fund	544.0	569.0	658.8	595.4	738.4	846.8	\$108.4	14.7%
Other Higher Education <sup>2/</sup>								
Total Funds	207.5	180.6	199.4	301.1	307.8	335.4	\$27.6	9.0%
General Fund	192.3	165.0	179.6	274.9	280.4	308.1	\$27.7	9.9%
<b>Total Funds</b>	<b>\$15,139.2</b>	<b>\$15,332.5</b>	<b>\$15,754.0</b>	<b>\$16,479.4</b>	<b>\$18,127.6</b>	<b>\$19,104.3</b>	<b>\$976.7</b>	<b>5.4%</b>
<b>General Fund</b>	<b>\$11,440.8</b>	<b>\$11,476.0</b>	<b>\$10,837.5</b>	<b>\$11,076.7</b>	<b>\$12,207.3</b>	<b>\$13,212.5</b>	<b>\$1,005.2</b>	<b>8.2%</b>

<sup>1/</sup> For purposes of this table, expenditures for the University of California (UC) and California State University (CSU) have been adjusted to include the offsetting general purpose income. This provides consistency in comparing magnitudes and growth among the various segments of education.

<sup>2/</sup> The Other Higher Education amount includes Hastings College of the Law (HCL), the California Postsecondary Education Commission, and General Obligation Bond Interest and Redemptions for UC, CSU and HCL.

<sup>3/</sup> For purposes of comparing with UC and CSU General Fund, CCC includes property tax revenue, as a component of the state's obligation under Proposition 98.

the scheduled fee increases to ease the financial burden on students and their families.

In particular, the Budget reflects the following:

- **Fee Levels**—Given the improved revenue picture, the budget buys out the scheduled fee increases to maintain fees at the 2005-06 level. Undergraduate fees will remain at \$6,141 for UC and \$2,520 for CSU. Fees for UC graduate students will remain at \$6,897. Fees for CSU teacher preparation students will remain at \$2,922 and fees for all other CSU graduate students will remain at \$3,102. Accordingly, the Budget backfills the potential loss of new fee revenue to the public higher education segments by including \$75 million in additional funding for UC, \$54.4 million for CSU, and \$1.4 million for Hastings College of the Law.

- Enrollment Growth—The Budget provides funding for enrollment growth of 2.5 percent per year at the marginal cost of instruction. For UC, this growth rate represents an increase of 5,149 students. For CSU, the increase is 8,490 students.
- Basic Budget Support—The Budget provides a 3 percent general increase to help preserve and enhance the quality of university instruction by addressing competitive faculty and staff salaries, health benefits, maintenance, inflation, and other cost increases.

### Community Colleges

The Budget continues to recognize the extraordinary role of the Community Colleges in addressing the economic well-being of California. For the third year in a row, the Budget provides historic new investments in this higher education segment, including funding for substantial enrollment growth, a large cost-of-living adjustment, a mid-year fee reduction, expansion of many programs on a one-time basis made possible by an increase in the current year Proposition 98 guarantee, and major ongoing investments that include fully funding equalization and increasing non-credit funding for programs that prepare adults who lack basic skills to advance in the workforce and prepare for technical careers. The equalization and non-credit increases are the subjects of pending legislation in the 2005-06 legislative session. In total, this Budget provides General Fund and Proposition 98 related increases of over \$700 million compared to the 2005-06 Budget Act, consisting of approximately \$261 million in one-time resources primarily from the revised current year Proposition 98 guarantee and a \$440 million increase in 2006-07 over the revised current year level. These increases are detailed in the traditional highlights for the Community Colleges below.

Student fees at CCC will be reduced in 2006-07, from \$26/unit to \$20/unit, effective with the Spring 2007 semester. At \$20/unit, CCC fees will continue to be the lowest in the nation, just 24 percent of the national average.

### Career Technical Education Initiative

The Budget continues substantial investments in career technical education, consistent with the Governor's initiative begun last year. The Budget provides \$100 million consisting of \$20 million in ongoing funds in the Community Colleges, \$40 million in one time funds for new career technical education equipment for Community Colleges, and similarly, \$40 million for new equipment for public high schools as reflected in the K-12 Education section.

The ongoing funds seek to systematically reinvigorate high school vocational programs through curriculum enhancements, course sequencing and articulation between K-12 tech-prep programs and community college economic development programs. Funding may be targeted in areas such as tech-prep faculty and counselor in-service projects, career advancement academies for young adults without high school diplomas, tech-prep teacher pipeline pilot projects, and other investments focused on ensuring that students have access to programs that provide the necessary technical training and skills for emerging industries. The one-time funds will complement the ongoing resources by ensuring students in both segments will have state-of-the-art equipment necessary for developing skills needed in the workplace of today and tomorrow.

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### Nurse Education Initiative

The Budget continues to provide new investments to address the statewide nursing shortage in all three higher education segments and financial aid programs. Included are augmentations to address faculty recruitment to support previously funded nursing expansions in the Community Colleges and four year segments, additional increases for undergraduate nursing slots in the budget year and start-up costs for a significant increase in undergraduate nursing programs at CSU for the following fiscal year, additional resources for Community Colleges to address nursing program attrition as well as funding to establish on-line nursing faculty and clinical placement registries, and recruitment incentives for nursing graduates needed to help meet clinical nursing position needs for state agencies administered by the Student Aid Commission, contingent on enactment of legislation. These additions are further detailed in the respective traditional highlights for each segment or agency. Finally, it is noted that \$2.5 million of the ongoing career technical education funding addressed above is specifically reserved to support a K-12 nursing career pathway program for school districts to develop sequenced, standards-based curriculum and related costs for nursing career programs.

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### University of California

The Budget provides total funding from all sources of \$5.1 billion for UC, an increase of \$280.3 million or 5.8 percent above the 2005-06 level. This funding level includes \$3.1 billion General Fund, reflecting an increase of \$238.0 million or 8.4 percent above the 2005-06 level.

The Budget includes the following significant General Fund adjustments for UC:

- \$80.5 million increase (3 percent) for basic budget support.
- \$51.0 million increase (2.5 percent) for enrollment growth.
- \$75 million increase to backfill the governing board's proposed student fee increases of 8 percent for undergraduate, 10 percent for graduate, and an average of 5 percent for professional students.
- \$19.3 million to continue funding for Student Academic Preparation and Education Programs.
- \$6 million for labor research and education.
- \$4 million for substance abuse research.
- \$14 million in one-time funds for costs associated with sustaining UC Merced operations in 2006-07 for a total funding level of \$24 million.
- \$963,000 for the expansion of entry-level master's degree programs and traditional master's degree programs in nursing.
- \$375,000 increase to expand the Science and Math Teacher Initiative initiated in the 2005 Budget to the remaining three campuses.
- \$180,000 increase for a new cohort of 12 students for the PRIME Program which targets prospective medical doctors for underserved populations.
- The Budget reflects a current year reduction of \$3.8 million related to a shortfall in enrollments due primarily to reductions in the number of non-resident students, pursuant to legislative provisional language in the 2005 Budget Act that requires the Director of Finance to revert enrollment growth funding to the General Fund if enrollment targets are not met.

## California State University

The Budget provides total funding from all sources of \$4.0 billion for CSU, an increase of \$194.2 million or 5 percent above the 2005-06 level. This funding level includes \$2.8 billion General Fund, an increase of \$191.4 million or 7.4 percent above the 2005-06 level.

The Budget includes the following significant General Fund adjustments for CSU:

- \$75.7 million increase (3 percent) for basic budget support consistent with the Compact.
- \$61.3 million increase (2.5 percent) for enrollment growth consistent with the Compact.
- \$54.4 million increase to backfill the governing board's proposed student fee increases of 8 percent for undergraduates and credential candidates, and 10 percent for graduate students.
- \$7 million to continue funding for student academic preparation and student support services programs.
- \$2 million increase on a one-time basis for faculty recruitment and start-up costs associated with the expansion of nursing programs.
- \$1.7 million to continue funding for expansion of entry-level master's nursing programs pursuant to Chapter 592, Statutes of 2005.
- \$1.1 million increase, including \$652,000 one-time, for the Science and Math Teacher Initiative that was initiated through the 2005 Budget.
- \$371,000 to fund a 35 student expansion of undergraduate nursing enrollments.
- \$184,000 increase for the Capital Fellows Program reflecting a 3 percent Compact increase plus a \$100,000 legislative augmentation.
- \$22.5 million reduction for retirement costs.
- \$5 million reduction to offset the estimated loss of General Fund interest earnings as a result of a shift of CSU student fees from deposit in the General Fund to the CSU Trust Fund. This technical proposal is revenue neutral to the state and puts CSU on an equal footing with UC and the CCCs with respect to financial management of fee revenues.

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## California Community Colleges

### Current Year

The Budget augments the 2005-06 Budget Act by approximately \$261 million General Fund and Proposition 98 sources for the California Community Colleges (CCC), including

an augmentation of \$257.2 million on a one-time basis as a result of a very significant increase in the current-year Proposition 98 guarantee. The following one-time, current-year Proposition 98 adjustments are included in budget trailer bill legislation:

- \$94.1 million for deferred maintenance, instructional equipment, and hazardous substance abatement to address backlogs in core operational needs beneficial to student learning.
- \$77.7 million for a general purpose block grant, distributed on a full-time equivalent students (FTES) basis, to address other local priorities. \$22.3 million for this purpose is also provided from the Proposition 98 Reversion Account for a total of \$100 million.
- \$40 million for career technical education equipment and associated facility reconfigurations to help ensure student access to state-of-the-art equipment necessary for developing relevant career technical skills needed in the workplace of today and tomorrow. This funding, and a similar amount included in the K-12 budget complements the \$20 million in ongoing funding provided in the Budget for the second year of the Governor's Career Technical Education Initiative.
- \$15 million in current year Proposition 98 resources, plus \$25 million in prior-year Proposition 98 "settle-up" funds, to provide a total of \$40 million for payment of prior-year amounts owed for mandated cost claims that have been audited.
- \$19.7 million for one-time costs associated with implementation of a new funding formula for Community Colleges proposed in pending legislation.
- \$2.5 million to fund a three-year pilot program that would provide stipends to recruit and retain full-time nursing faculty.
- \$1.4 million to extend high-speed internet services to all remaining colleges and offsite centers.
- \$500,000 for the expansion of Nursing Student Clinical Placement Registries in all regions of the state and to establish an on-line CCC Nursing Faculty Registry. The former will help increase access to clinical nursing experience opportunities for students from all segments and the latter will improve CCC's ability to identify qualified nursing candidates for faculty slots at individual campuses.

### Budget Year

The Budget proposes a number of major, ongoing adjustments for CCC in 2006-07, which will increase total General Fund and Proposition 98 funding by a net \$439.7 million or 7.6 percent above the revised 2005-06 level. Major ongoing Proposition 98 General Fund adjustments for the CCC include the following:

- \$294.4 million increase to provide a 5.92 percent COLA for general-purpose apportionments for all districts.
- \$159.4 million for community college equalization. This provides the third, and final, increment of CCC equalization funding to ensure that all districts are equalized to the 90<sup>th</sup> percentile. This amount reflects the amount necessary to conform to a revised overall funding formula for Community Colleges that is subject to and contingent upon pending legislation in the 2005-06 legislative session.
- \$97.5 million increase to provide two-percent growth in apportionments sufficient to support an additional 23,000 FTES. Also, while the Budget reflects a base reduction of \$85 million to reflect unused 2005-06 growth funding, the Budget also retains more than \$100 million attributable to declining enrollment in various districts that represents additional capacity of more than 24,000 FTES. Combined, both sources of funding will allow colleges to serve approximately 1,181,000 FTES in 2006-07.
- \$40 million increase to backfill a reduction in student fees from \$26/unit to \$20/unit, holding colleges harmless for the loss in fee revenue.
- \$30 million to enhance funding for specified community college non-credit courses. Courses eligible for this increase will be those that are more advanced and rigorous in nature, and linked with other courses leading to degrees and certificates as well as improved job placement and employability for adults lacking in basic skills. This funding, like equalization, is subject to and contingent upon pending legislation in the 2005-06 legislative session.
- \$24 million increase for matriculation, providing colleges with additional resources to assist students' progress towards their educational goals.
- \$23.1 million increase for growth (\$5.1 million) and COLA (\$18 million) for community college categorical programs that provide services to special populations.



- \$15 million increase for the Economic Development program to expand targeted training services aligned with California business needs and to improve career technical education for both K-12 and the colleges.
- \$10 million increase in apportionments to support remediation programs at Community Colleges for high school students who failed to pass the California High School Exit Exam (CAHSEE) this Spring.
- \$9 million increase for the Special Services for CalWORKs Recipients Program to fund additional work-study and campus job development opportunities that will assist California's efforts to meet new federal work participation targets required under the federal Temporary Aid to Needy Families Program (TANF).
- \$4 million increase for ongoing claims on current reimbursable mandated programs.
- \$2.9 million increase to support additional diagnostic and assessment services for nursing students to address issues of attrition and promote greater retention and persistence in these programs. These funds will augment \$14 million previously provided for expansion of nursing enrollments.
- \$2.5 million increase for apprenticeship instructional program support to address increasing demand from industry for trained workers.
- \$1.3 million increase for the Telecommunications and Technology Services program including \$800,000 for increased costs of high-speed internet service delivery and an augmentation of \$500,000 for the California Partnership for Achieving Student Success (CalPASS) that will fully fund the resources necessary to expand the program statewide.

As mentioned, \$22.3 million from the Proposition 98 Reversion account is provided for the same purposes as the General Purpose Block Grant described previously.

Finally, the Budget sets aside \$30 million General Fund for pending legislation to provide a one-time loan to the Compton Community College District to address fiscal solvency and the anticipated loss of program accreditation.

### Hastings College of the Law

The Budget provides total funding from all sources of \$37.9 million, an increase of \$2.2 million or 6.1 percent above the 2005-06 level. This funding includes \$10.7 million General Fund, reflecting an increase of \$2.3 million or 27.6 percent above the 2005-06 level.

The Budget includes the following significant General Fund adjustments for Hastings College of the Law:

- \$1.4 million increase to backfill Hastings' proposed student fee increase of 8 percent.
- \$253,000 increase for basic budget support.
- \$523,000 increase on a one-time basis for relocation costs related to a capital outlay project to correct code deficiencies in an academic facility.

### Student Aid Commission

The Budget provides total funding from all sources of \$882.3 million, an increase of \$57.5 million or 7 percent above the revised 2005-06 level. This funding includes \$846.8 million General Fund, reflecting an increase of \$108.4 million or 14.7 percent above the revised 2005-06 level.

The Budget includes the following significant adjustments for the Student Aid Commission:

- \$51 million to replace the use of one-time surplus monies from the Student Loan Operating Fund (SLOF) that were used to support financial aid programs in 2005-06.
- \$38.8 million net increase for anticipated growth in costs in the Cal Grant Program, reflecting an offsetting reduction of \$28.7 million associated with the buy-out of segmentally approved 8 percent undergraduate fee increases at the UC and CSU.
- \$11.9 million to increase the maximum Cal Grant for new recipients at non-public colleges and universities from \$8,322 to \$9,708.
- \$6.8 million increase for anticipated growth in costs for the Assumption Program of Loans for Education (APLE).
- Authorization for 100 new warrants for the National Guard APLE program (payments estimated to begin no sooner than 2007-08 fiscal year).

- Authorization for 100 new warrants for the State Nursing APLE.
- Authorization for 40 new warrants for the Nurses in State Facilities APLE, pursuant to legislation.

The Budget also recognizes \$14.0 million in 2005-06 savings in Cal Grant awards based on revised estimates.

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